

The new claims have been redrafted from the old claims to address the Examiner's rejections under 35 USC 112.

In particular, only one species of claims is now present, namely method claims. The independent method claim is of the type "In a contract exchange ... a method of operating a clearing house computer..."

This claim removes the objections related to the inclusion of method steps in a system claim and now particularly points out and distinctly claims the subject matter regarded as the invention.

The claim rejections under 35 USC 102 are also now met since the claims include the step of the clearing house computer exercising the options on the contracts in certain circumstances. The particular circumstances occur when the value of the contracts moves so that an investor has too much of his assigned funds transferred to the counter parties and does not provide further funds to cover the required proportion of the contracts held. The examples in the specification illustrate this at some length. These limitations were specifically noted by the Examiner as not having been considered.

When a value change occurs for contracts, the short position gains and the long position loses or vice versa. The losses are immediately transferred from those losing to those gaining. (A party may have a number of contracts and may have different counter parties to different contracts). When an investor has insufficient assigned funds to cover the required proportion of the contracts held, the clearing house computer automatically moves to dispose of the excess contracts, that is the contracts that are not covered by the required assigned funds. Also, when an investor's assigned funds are reduced to zero, the clearing house computer automatically closes all the contracts held by that investor whether he has long or short positions, and also closes out all the counter parties to those contracts at the same price.

AMENDMENT AND RESPONSE

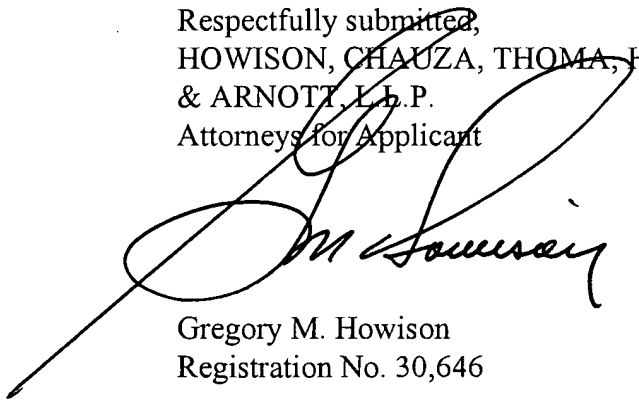
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This operation of the exchange prevents parties from losing more than they are prepared to stake as assigned funds no matter how badly the market turns against them. Of course at the same time it may limit the profits that can be made, since if an investor is holding contracts and gaining and the contracts are closed out when the counter party's assigned funds reach zero, the gaining party's gain is frozen at that price. Of course the gaining party can reinvest the funds released from the closing of the contracts to buy or sell more contracts.

Applicant has now made an earnest attempt in order to place this case in condition for allowance. For the reasons stated above, Applicant respectfully requests full allowance of the claims as amended. Please charge any additional fees or deficiencies in fees or credit any overpayment to Deposit Account No. 20-0780/LAUS-24,408 of HOWISON, CHAUZA, THOMA, HANDLEY & ARNOTT, L.L.P.

Respectfully submitted,
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